

WEEKLY BRIEFING REPORT

Week ending 5 June 2022

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About the Weekly Briefing Report

I write the [Weekly Briefing Report](#) to provide an immediate view of the market. My premium service (which additionally includes Monthly and Quarterly Briefing Reports) provides a more in-depth view. I offer a choice of monthly and annual subscriptions, learn more and subscribe [here](#).

I value your feedback and I would particularly appreciate your thoughts on the topics you would like me to add to my coverage – contact me at peter@peterbackmanfs.com

My insight

The event of the past week has undoubtedly been the Platinum Jubilee. Its effect on the eating out market is, as yet anyway, unmeasured although previous Royal celebrations (such as weddings and previous Jubilees) and the large numbers of people going abroad (or trying to) over the holiday suggest that any business will be hard won.

Outline of an ESG Manifesto for Foodservice

People

Why?

- They account for 40% of foodservice costs
- 'Our most important asset'
- It's good business practice

What?

- Fair and respectful treatment

The environment

Why?

- Foodservice impacts on the environment: fuel; emissions; space occupied

What?

- Care for the environment is a core value of foodservice

Community

Why?

- Foodservice sector is highly gregarious

What?

- Being a good citizen: locally, nationally; globally

But the Jubilee is integrally joined with the notions of what it means to be part of the British community. Royalty is seen, by many, as a social artefact (hence, for example, continuing interest in the doings of members of the Royal family). But Royalty is also a political artefact; historically being monarch was about ruling, not having a media presence. It was the capstone that prevented the community from collapsing into anarchy. This contrasts sharply with the war in Ukraine which is destructive and anti-community.

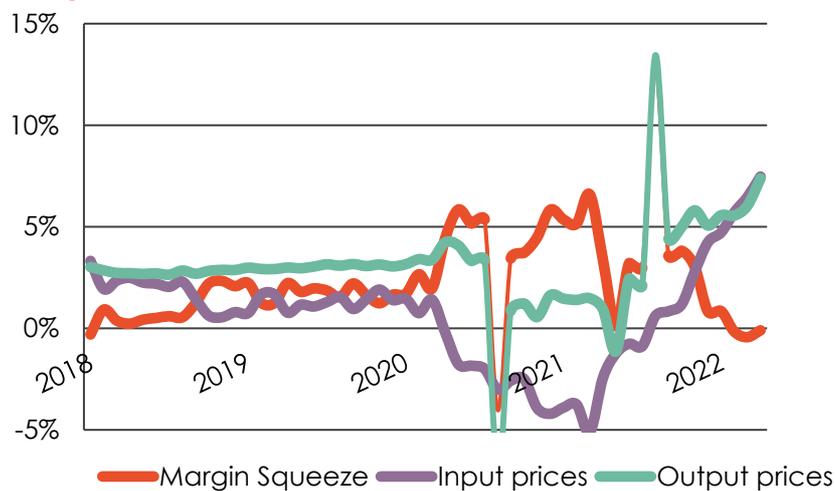
It was these thoughts that led me to think about the community – or more correctly communities – that the foodservice sector encompasses and is involved in. And this sense of community lay behind the idea of an ESG (Environmental, Social and Governance) Manifesto for the Foodservice sector. The ESG Manifesto is built around notions of People, the Environment and Community. And a recognition that the foodservice sector is basically an ethical business – it's built on offering a friendly, warm, welcoming service coupled with food which is one of the most basic physiological human needs.

Precisely how this is represented in an approach to ESG in foodservice is something I discuss in detail in my Monthly Briefing Report for May (available to subscribers to my [Premium Briefing Reports](#)). In summary though, the ESG Manifesto for Foodservice sets out some actions that the foodservice sector should be engaged with if it is to live up to its true role within its communities.

The numbers

Rising prices hit the foodservice sector in three ways: as an increase in input costs; as a consequent need to increase prices (in order to make some attempt at maintaining required levels of profitability); and as a general squeeze on customers' spending power – and therefore potentially reducing how much they spend when they eat out.

Margin Squeeze



Sources: ONS; Peter Backman

a year ago (and that ignores increases in other costs notably labour and fuel). Output – menu – prices, on the other hand, are currently rising at 7% or 8% a year.

I attempt to capture what these changes mean in terms of operator margins by subtracting the rate of increase in input prices from the rate of increase in output prices. This is the 'Margin Squeeze' shown in red on the chart.

But increases in menu prices are, effectively, notional and don't account for consumers' propensity to adjust their purchases to the amount of money in their pocket – perhaps, when prices are getting too high, choosing cheaper items from the menu, foregoing extras, starters or desserts, or choosing to eat somewhere less costly. In my experience, decisions such as these reduce the effective rise in prices that consumers are prepared to countenance, and therefore lead to a lower 'actual' rate of menu price inflation.

And when combined, the interchanges between the various effects of input and output price changes reflect a 'true' value of inflation in the foodservice sector. In doing so, they reflect the interplay between price rises and the consequent choices about how much consumers are prepared to spend, on what, and where.

Some operators will win from these interplays, some will lose. But in an overall sense, available figures suggest that the foodservice sector is currently just about able to hold its head above water – balancing a rise in input prices with an equivalent (if not always equal) rise in menu prices. In this way they are protecting their margins and profitability. But for how long, and by how much, are questions waiting to be answered over the next few months.

The rest of this Weekly Briefing Report provides a summary of the thin news in the last week:

In the immediate years running up to covid, prices in the foodservice sector were stable, or at least slow moving and predictable: menu prices rose very slowly; food and beverage prices rose slightly more quickly; and while Like for Like profitability fell slightly, corporate profits increased for businesses that were able to increase the size of their estates.

How are these factors playing out right now?

Food and beverage input prices are now 10-15% above the levels of

News in the past week

Financial & Legal

- There was a two-day Bank holiday plus two days of weekend festivities to celebrate the Queen's Platinum Jubilee

Restaurants

- Franco Manca joins Just Eat for Business platform

QSR

- German Doner Kebab joins Just Eat for Business platform
- Iceking and K&Z become Pret a Manger franchisees

Pubs

- Opening hours for pubs and bars were extended during the Platinum Jubilee

Around the World

- Marriott Hotels to leave Russia

Delivery Offers in the Week

- Deliveroo: Here's 20% off (or more) to celebrate a royally Tasty Thursday
- Deliveroo: Get £10 off your next order
- Plateaway: Get 20% off everything
- UberEats: Free items from selected favourites when you spend £15
- UberEats: Get 20% off your next 10 orders